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Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly: priority theme: "National and international cooperation for social development": policies and role of international financial institutions and their effect on national social development strategies

Statement submitted by International Federation of Settlements and Neighbourhood Centres, a non-governmental organization in general consultative status with the Economic and Social Council; Elizabeth Seton Foundation, Congregation of Our Lady of Charity of the Good Shepherd, Dominican Leadership Conference, International Presentation Association of the Sisters of the Presentation, School Sisters of Notre Dame, Sisters of Notre Dame de Namur and Society of Catholic Medical Missionaries, non-governmental organizations in special consultative status with the Economic and Social Council; and International Union of Anthropological and Ethnological Sciences, a non-governmental organization on the roster**

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 36 and 37 of Economic and Social Council resolution 1996/31 of 26 July 1996.

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Working towards achieving the millennium development goals and the eradication of poverty calls for a greater commitment of all United Nations

* E/CN.5/2003/1.

** The document was submitted late to the conference services without the explanation required under paragraph 8 of General Assembly resolution 53/208 B, by which the Assembly decided that, if a report is submitted late, the reason should be included in a footnote to the document.

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Members and peoples. The policies of the international financial institutions have a huge impact on national social development strategies.

We recommend that the international financial institutions use as first principles for national social development strategies:

1. **That all stakeholders (Governments, project recipients, experts inside and outside of the country, development partners and non-governmental organizations be involved at every stage of development.[1] (We expect that the principle of gender equality will be in place.)**

Both the World Bank and the International Monetary Fund in presentations at the United Nations recently have remarked that projects work best when all sectors work together. The peoples of the country know what they need and what is acceptable in their culture. They are the primary experts to be consulted. Much time, effort and money are lost by the exclusion of this group. Participation by all concerned was confirmed in the Monterrey Consensus.

Two ethical/moral principles that we suggest are "subsidiarity" (decisions are made by those whose lives are affected) and "preferential option for the poor" (all economic decisions are based upon how they affect the lives of the poor).

2. **That the international financial institutions (World Bank and International Monetary Fund) change the current standards for deciding debt sustainability. The ability of a government to fully fund human development needs must come first in order to eradicate poverty and achieve the millennium development goals.[2]**

Pro-poor growth and access to basic social rights need to advance together.[3] Draconian measures and plans are unacceptable when they create greater poverty. "Safety nets" for the vulnerable need to be in place prior to any structural adjustments. The neo-liberal model has not been proven to work for all economies. Each Government, we believe, has a moral/ethical duty first to care for its own people.

Remember paragraph 60 of the Monterrey Consensus (see A/CONF.198/11, chap. I, resolution 1, annex) promising, "international debt workout mechanism ... that will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner". Instead of the IMF "Sovereign Debt Restructuring Mechanism (SDRM)" we are asking for the "fair and transparent arbitration procedure".

3. **That all manner of data in national social development projects be transparent/accessible to all publics at each step of the process (design, planning, preparation, execution, monitoring and evaluation).**

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[1] Development Committee, "Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries", 28 September 2002.

[2] "Communiqué of the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund", Press Release No. 01/45, 28 September 2002.

[3] "Growth is necessary but not sufficient to reduce poverty", United Nations Economic Commission for Africa, 19 November 2002.

We agree with the conclusions on "A User's Guide to Poverty and Social Impact Analysis" by Kathleen Selvaggio of Catholic Relief Services.[4] Only when the facts are transparent and openly available to the general public can the best possible decision be made for the "common good".

Monitoring of the millennium development goals will be more accessible and clearer in the projects/directions chosen by those involved when transparency is total.

4. **That there be a new vision, a global agreement to restore policy autonomy to Governments, subordinate the market to priorities set by elected democratic Governments, and accountable international institutions. We would like to re-emphasize the three pillars: social, political and environmental relations.**[5]

A systemic change is needed in the current model and functioning of international financial institutions which diverts profits and capital flows to transnational corporations and developed countries while leaving developing countries, particularly marginalized groups within those countries, to suffer the environmental and human costs.

There should be flows of capital going from the rich countries to poor countries, not from the poor countries to rich countries ... this is just the reverse of what we would normally think of an equitable system.[6]

5. **That there be total debt cancellation of poor countries.**

The HIPC Initiative I and II have not helped many of the indebted countries. Servicing of debt is seriously affecting the economic and social policies of many countries in the South. The debt relief movement calls for a fundamental change in the power relations between debtors and creditors and active involvement of the people affected by a participatory and democratic process in arriving at a viable and sustainable programme, both for total debt cancellation and debt servicing.

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[4] "Comments on A User's Guide to Poverty and Social Impact Analysis" (Draft edition), October 2002.

[5] Ms. Ann Pettifor, 1 November 2002 panel "Managing Globalization", Second and Third Committees of the United Nations General Assembly.

[6] Prof. Joseph Stiglitz, 20 February 2002 as quoted by Ann Pettifor on 1 November 2002.